



SCHOOLS AND LIBRARIES  
CORPORATION

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Ira Fishman  
Chief Executive Officer

July 31, 1998

Honorable Magalie Roman Salas  
Secretary  
Federal Communications Commission  
1919 M Street, NW  
Washington, DC 20554

RE: Schools and Libraries Corporation  
Program Size Projections for Fourth Quarter 1998  
and Filing of Expenses for First Quarter 1998  
CC Dockets No. 96-45, 97-21

Dear Secretary Salas:

In accordance with 47 C.F.R. § 54.709(a)(3), enclosed are the original and four (4) copies of the Fourth Quarter 1998 Program Size Projections for the Schools and Libraries Universal Service Fund. This filing includes the First Quarter 1998 Actual Expenses of the program.

Acknowledgment and date of receipt of this letter is requested. A duplicate copy has been provided for that purpose.

Respectfully submitted,

Ira Fishman  
Chief Executive Officer

Enclosure

No. of Copies rec'd 0+4  
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**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

**Schools and Libraries Fund  
Program Size Projections for Fourth Quarter 1998  
and Expenses for First Quarter 1998  
CC Docket Nos. 96-45, 97-21**

**I. Introduction**

The Schools and Libraries Corporation (SLC or Corporation) hereby submits this filing in accordance with section 54.709(a)(3) of the Federal Communications Commission's (FCC or Commission) rules.<sup>1</sup> This filing details program size projections for Fourth Quarter 1998 for the Schools and Libraries Fund. In its Third Quarter filing, the Corporation stated that it would provide final First Quarter expenses in a supplemental filing. The Corporation is submitting as part of this filing the program expenses incurred during First Quarter 1998 for the Schools and Libraries Universal Service Fund.

**II. Schools and Libraries Fund**

The Commission's May 7, 1997, Universal Service Order<sup>2</sup> outlined a plan to ensure that all eligible schools, libraries, and rural health care providers have affordable connections to the global telecommunications network. The plan created a fund to provide telecommunications services and to wire schools and libraries for access to the

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<sup>1</sup> 47 C.F.R. § 54.709(a)(3).

<sup>2</sup> Federal-State Joint Board on Universal Service, CC Docket No. 96-45, *Third Report and Order*, 62 Fed. Reg. 56118 (October 29, 1997).



Internet. Pursuant to the Commission's rules,<sup>3</sup> the first program year will extend eighteen months from January 1, 1998, through June 30, 1999. For the first program year, collections are limited to \$625 million for the period January 1, 1998, through June 30, 1998, and to \$325 million for each of the three-month periods from July 1, 1998 to September 30, 1998, from October 1, 1998, through December 31, 1998, from January 1, 1999, through March 31, 1999, and from April 1, 1999, through June 30, 1999. No more than \$1.925 billion is to be collected or disbursed during the eighteen-month period from January 1, 1998, through June 30, 1999. Applications for the second program year, which will be from July 1, 1999, through June 30, 2000, may be filed beginning on October 1, 1998.

### **III. Estimates of SLC Expenses for Fourth Quarter 1998**

In the Fourth Quarter of 1998, the SLC expects to see a significant decrease in one-time start-up contract costs as the result of completion of several large undertakings. Web Site development will be largely complete, and emphasis will shift to on-going maintenance. Independent audit of program controls will be complete. However, we will begin processing applications for the second program year and vendor invoices for the first program year and continue client support. In addition, the SLC has further supplemented its program integrity operations to protect against waste, fraud, and abuse. These costs are reflected in the Fourth Quarter estimate.

Based on these activities, expenses and interest income for the Fourth Quarter 1998 are estimated as follows (amounts in millions):

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<sup>3</sup> Federal-State Joint Board on Universal Service, CC Docket No. 96-45, *Fifth Order on Reconsideration and Fourth Report and Order* in CC Docket No. 96-45, FCC 98-120, Released June 22, 1998.



4Q 1998 Expenses	\$4.7
Expenses from USAC	.2
Interest Income	<u>0<sup>4</sup></u>
Total	<u>\$4.9</u>

Details of this estimate are shown in Enclosure 1. Since disbursements from the Fund will not begin until the Fourth Quarter, we estimate that unused funds from the first three quarters of 1998 will total about \$845 million. Together with estimated collections of \$325 million for the Fourth Quarter less the Fourth Quarter expense estimate above, \$1,165 million is estimated to be available for program disbursements in the Fourth Quarter.

#### **IV. SLC Actual Expenses for First Quarter 1998**

Actual expenses and interest income for the First Quarter 1998 are as follows

(amounts in thousands):

1Q 1998 Expenses	\$4,415 <sup>5</sup>
1998 Expenses from USAC	120
Interest Income	<u>(812)</u>
Total	<u>\$3,723</u>

Additional details are provided in Enclosure 2. In its filings of fund size requirements for Second Quarter and Third Quarter 1998 for the Schools and Libraries Universal Service Fund, the Corporation noted that actual expenses for the First Quarter would exceed the original October 31, 1997, estimate produced by the National Exchange Carrier Association (NECA) for reasons set forth in our Second and Third Quarter filings.

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<sup>4</sup> Interest earned in the Fourth Quarter will depend on the size of collections and on the amount and rate of disbursements in October. Therefore, this represents a very conservative assumption.

<sup>5</sup> Note that not included in the total are the previously reported 1997 start-up expenses from the National Exchange Carrier Association (NECA) of \$1.9 million, which were repaid to NECA during the first quarter after collections commenced.

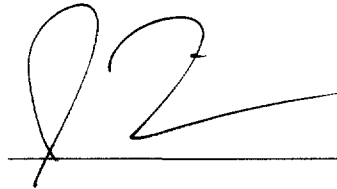


These reasons primarily include an investment in reviewing applications prior to issuing funding commitments, development of a computer system to enable such reviews as well as to fully support the application process, and the provision of adequate client service support.

#### **VI. Next Filing**

Pursuant to the Commission's rules, the next filing will be on or before November 1, 1998.

Respectfully submitted,

A handwritten signature in black ink, consisting of a large, stylized 'I' and 'F' followed by a horizontal line.

Ira Fishman  
Chief Executive Officer  
Schools and Libraries Corporation  
1023 15<sup>th</sup> Street, NW, Suite 200  
Washington, DC 20005

July 31, 1998



**Enclosure 1**

**Schools and Libraries Corporation  
Fourth Quarter 1998 Budget Estimate  
(Amounts in Millions)**

SLC Operating	
Labor Costs	\$ 0.4
Travel, Supplies, Other	0.2
Contingency	<u>0.1</u>
Total	\$ 0.7
 Non-Recurring Start-up (Outside Contractors)	\$ 0.4
 NECA Contract Operating	<u>\$ 3.5</u>
 Total	\$ 4.7
 Expenses SLC	\$ 4.7
 Expenses from USAC	0.2
Interest Income SLC	<u>(0)<sup>1</sup></u>
Total	\$ 4.9 <sup>2</sup>

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<sup>1</sup> Interest earned in the 4Q will depend on the amount of retroactive payments and the volume of on-going payments once disbursements begin in the 4Q.

<sup>2</sup> Numbers may not add due to rounding.



**Enclosure 2**

**Schools and Libraries Corporation  
First Quarter 1998 Expenses  
(Amounts in Thousands)**

SLC Operating	
Labor Costs	\$ 333
Travel, Supplies, Other	<u>144</u>
Total	\$ 477

Non-Recurring Start-up (Outside Contractors) \$ 1,053

NECA Contract Operating	\$ <u>2,885</u>
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Total	\$ 4,415
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Expenses SLC	\$ 4,415
Expenses from USAC	120
Interest Income SLC	<u>(812)</u>
Total	\$ 3,723 <sup>1</sup>

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<sup>1</sup> Not included in the total above are the previously reported start-up expenses from the National Exchange Carrier Association (NECA) of \$1.9 million, which were repaid to NECA during the first quarter after collections commenced.



## CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing filing was served this 31st day of July 1998, by mailing copies thereof by United States Mail, first class postage paid or by hand delivery, to the persons listed below.

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Shannon O. Sullivan  
Schools and Libraries Corporation

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